

FDIC State Profile

Winter 2004

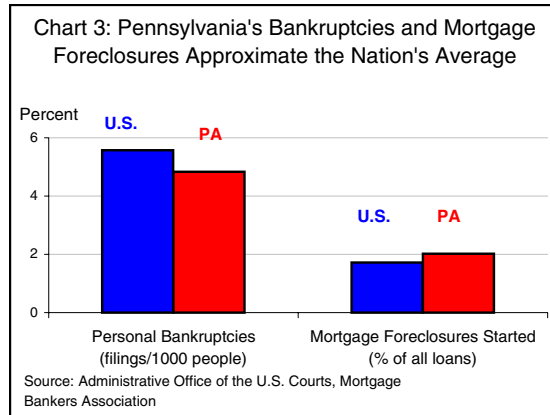
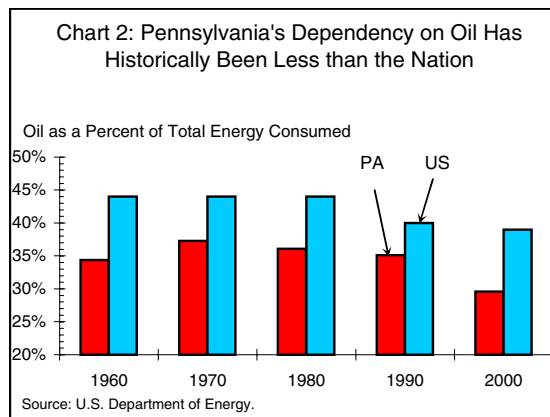
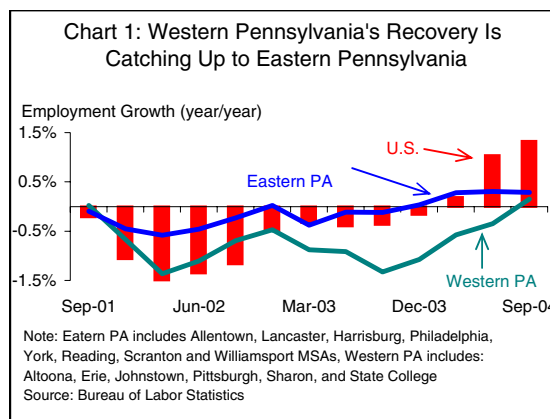
Pennsylvania

Pennsylvania's job growth turned the corner in first quarter 2004 but continues to trail the nation.

- The job loss rate in **Eastern Pennsylvania** was less than the nation during the 2001 recession. However, the ensuing recovery has been characterized by weak, but steady, job growth relative to the nation (See Chart 1).¹
- Philadelphia** has recorded five consecutive quarters of job growth that fell below one percent. Manufacturing losses eased and have been offset by gains in professional, business, health services, and leisure. In 2004, **Lancaster** also experienced job gains of less than one percent. Major growth areas have been professional and business services, health, and education. Leisure and hospitality also have added jobs, reflecting increased numbers of tourists to Pennsylvania Dutch Country. **Harrisburg's** government sector, which accounts for about 20 percent of its workforce, also has recorded weak, but steady, job growth.
- After three years of losses, job growth turned barely positive (0.1 percent) in **Western Pennsylvania**. Job trends varied across metro areas. Until third quarter 2004, **Pittsburgh** had lost jobs for 11 consecutive quarters. The elimination of the U.S. Airways hub could result in additional job losses. Job growth in **Erie** has consistently improved and was double the state average. Manufacturing job losses have moderated, while education and health services have expanded.

Pennsylvania is less dependent on oil than the nation.

- Because 32 percent of Pennsylvania's energy needs are met by coal, compared with 23 percent for the nation, the state, historically, has been less dependent on oil for energy (See Chart 2). In addition, the state derives about 16 percent of its energy from nuclear power, double the average national average. Nonetheless, oil-dependent manufacturers (and consumers) may be pressured by high oil prices.



¹Eastern PA includes Allentown, Lancaster, Harrisburg, Philadelphia, York, Reading, Scranton and Williamsport MSAs. Western PA includes Altoona, Erie, Johnstown, Pittsburgh, Sharon, and State College.

State Profile

Statewide personal bankruptcy rates have increased.

- Pennsylvania's per capita bankruptcy rate has steadily increased since 1994, but remains slightly below the national average. Rising bankruptcy rates may reflect persistent loss of manufacturing jobs across the state (See Chart 3). Historically, Pennsylvania's mortgage foreclosure rate has been higher than the U.S. average. Mortgage foreclosure rates have eased since 2001, but still moderately exceed the U.S. average.
- Weakness in the manufacturing sector may contribute to higher consumer delinquency rates reported by FDIC-insured institutions headquartered in western Pennsylvania compared with the state overall. Nonetheless, overall credit quality among insured institutions headquartered in Pennsylvania is favorable, with the median past-due consumer loan ratio moderately below the national median.

Home equity loans have been the growth leader among Pennsylvania's community banks as consumers tap equity during the housing boom.

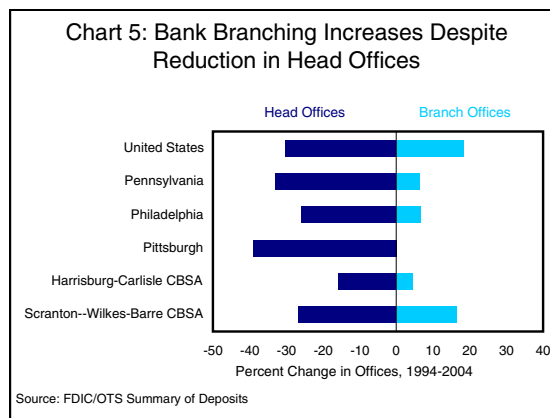
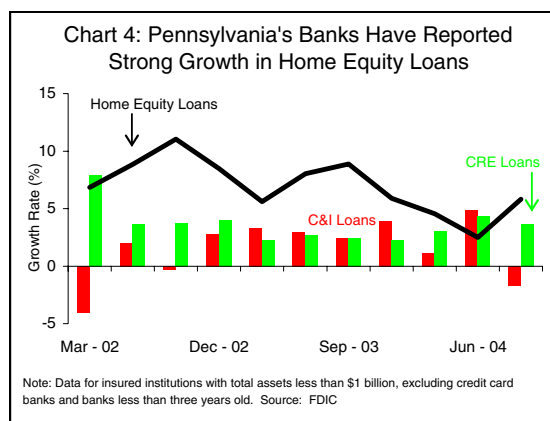
- Consistent with national trends, growth in home equity loans among Pennsylvania's community banks has been robust for the past several years.² Owing, in part, to more modest rates of home price appreciation in many parts of the state compared with the nation, growth rates of home equity loans have been lower than the national average. Nonetheless, an overall favorable housing market in the state has translated into high use of home equity loans by consumers (See Chart 4).
- Insured institutions headquartered in Pennsylvania report low average home equity loan delinquency rate. However, higher interest rates may challenge consumers' ability to service consumer debt, particularly those consumers with higher levels of variable rate debt.

Pennsylvania insured institutions reported stable profitability in third quarter 2004.

- Pennsylvania's median return-on-assets was essentially unchanged in third quarter 2004, largely the result of little change in the net interest margin.³ Asset yields increased with higher interest rates, but the median cost of funds (COF) reported by the state's insured institutions also increased after declining for 14 consecutive quarters. Higher funding costs were largely the result of the rise in short-term U.S. Treasury rates from 45-year lows since April 2004.

The number of bank branches in Pennsylvania increased in the past decade, despite banking industry consolidation.

- Pennsylvania experienced significant bank consolidation during the past ten years, as mergers and acquisitions reduced the number of head offices in the state. However, despite the decline in banks headquartered in the state, the number of branches has increased as banks increased emphasis on consumer banking relationships (See Chart 5).
- New branching activity has been stronger in the metropolitan areas located in Eastern Pennsylvania. Suburban parts of the Philadelphia metropolitan area, such as **Bucks**, **Chester**, and **Montgomery** counties have experienced double-digit growth in bank branches in the past decade, likely owing to appealing demographics, such as high levels of household income and population growth.



²"Community banks" are defined as insured institutions that hold less than \$1 billion in total assets. This definition excludes credit card banks and banks less than three years old.

³Includes FDIC-insured institutions headquartered in Pennsylvania excluding banks less than three years old and credit card banks, unless otherwise noted.

Pennsylvania at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	266	277	285	295	309
Total Assets (in thousands)	327,343,815	292,949,968	283,419,237	265,667,905	274,357,836
New Institutions (# < 3 years)	11	10	9	20	17
New Institutions (# < 9 years)	31	29	30	28	27
Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	9.23	8.86	9.05	9.18	9.35
Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	1.34%	1.50%	1.58%	1.65%	1.47%
Past-Due and Nonaccrual >= 5%	15	23	22	24	21
ALLL/Total Loans (median %)	1.11%	1.12%	1.10%	1.07%	1.05%
ALLL/Noncurrent Loans (median multiple)	1.76	1.41	1.46	1.41	1.60
Net Loan Losses/Loans (aggregate)	0.25%	0.34%	0.51%	0.42%	0.23%
Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	23	20	23	26	21
Percent Unprofitable	8.65%	7.22%	8.07%	8.81%	6.80%
Return on Assets (median %)	0.81	0.90	0.96	0.86	0.93
25th Percentile	0.56	0.58	0.63	0.56	0.61
Net Interest Margin (median %)	3.38%	3.37%	3.63%	3.50%	3.68%
Yield on Earning Assets (median)	5.24%	5.61%	6.52%	7.42%	7.64%
Cost of Funding Earning Assets (median)	1.88%	2.23%	2.90%	3.95%	4.00%
Provisions to Avg. Assets (median)	0.07%	0.09%	0.10%	0.09%	0.09%
Noninterest Income to Avg. Assets (median)	0.46%	0.50%	0.47%	0.46%	0.44%
Overhead to Avg. Assets (median)	2.53%	2.47%	2.51%	2.55%	2.53%
Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	80.34%	75.63%	77.02%	80.09%	84.26%
Loans to Assets (median %)	60.50%	59.04%	60.85%	63.38%	65.83%
Brokered Deposits (# of Institutions)	42	42	34	30	32
Bro. Deps./Assets (median for above inst.)	1.62%	1.25%	1.98%	1.77%	2.35%
Noncore Funding to Assets (median)	19.12%	17.87%	17.43%	17.17%	17.74%
Core Funding to Assets (median)	68.69%	69.91%	70.51%	69.82%	70.16%
Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	68	65	66	66	66
National	74	79	80	84	93
State Member	26	29	28	31	31
S&L	24	29	34	34	37
Savings Bank	22	24	26	30	32
Stock and Mutual SB	52	51	51	50	50
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Philadelphia PA-NJ PMSA	71	63,076,741	26.69%	19.27%	
No MSA	65	33,052,132	24.44%	10.10%	
Pittsburgh PA	42	125,023,986	15.79%	38.19%	
Harrisburg-Lebanon-Carlisle PA	19	12,160,666	7.14%	3.71%	
Scranton--Wilkes-Barre--Hazleton PA	14	5,330,678	5.26%	1.63%	
Allentown-Bethlehem-Easton PA-NJ	13	6,644,168	4.89%	2.03%	
Lancaster PA	8	9,963,374	3.01%	3.04%	
Johnstown PA	8	2,301,411	3.01%	0.70%	
Reading City PA	7	60,930,180	2.63%	18.61%	
York PA	4	1,194,372	1.50%	0.36%	
Williamsport PA	4	1,181,078	1.50%	0.36%	
Altoona PA	4	646,758	1.50%	0.20%	
Sharon PA	3	4,934,212	1.13%	1.51%	
Erie PA	3	610,034	1.13%	0.19%	
State College PA	1	294,025	0.38%	0.09%	